British Columbia Ferry Commission

Service Plan and Budget

for the period
August 11, 2003 to March 31 2005

Prepared and submitted in accordance with
Section 59 of the Coastal Ferry Act
of the Province of British Columbia

British Columbia Ferries Commissioner
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September 30, 2003

105-01465/

Honourable Judith Reid
Minister of Transportation
Parliament Buildings
P.O. Box Stn Prov Govt
Victoria, BC
V8W 9E2

Mr. David Hahn
President and CEO
British Columbia Ferry Services Inc
1112 Fort Street
Victoria, BC
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September 30, 2003

Dear Minister Reid and Mr. Hahn:

BC Ferry Commission Service Plan and Budget
August 11, 2003 through March 31 2005

I am pleased to submit to you the enclosed document outlining how the Commission intends to fulfill its mandate, and the associated funding requirements.

As required by the section 59 of the Coastal Ferry Act, the document includes an expenditure budget for the BC Ferries Commissioner for the next fiscal year, 2004/5.

Yours truly,

MCrilly

Martin Crilly
BC Ferries Commissioner

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1 Executive Summary

New Commission

The **BC Ferry Commission** is a quasi-judicial body created under the **Coastal Ferry Act** of the Province of BC. The first Commissioner was appointed on August 11, 2003 for a seven-year term.

Ten year outlook provided

The Act calls upon the Commission to regulate coastal ferry operations with a timetable stretching several years ahead. Accordingly, this Service Plan and Budget begins with a **long range look** into the future in the form of a ten-year activity schedule for the Commission.

Service Plan to March 2005

Looking at the **medium-term future**, the Service Plan through March 2005 describes the expected type and intensity of activity in regulating ferry fares and service levels, in making certain special decisions, in public outreach and in administration.

Budget for fiscal 2004/5

The Service Plan is used to project the Commission's costs. Figure 1 summarizes the expenditure budget for the first full fiscal year (2004/5). **Total expenditures for fiscal 2004/5 are budgetted at $267,000**, including a 30% contingency due to uncertainty in the level of activity that will be needed. This total, which is an estimated 15% under the maximum for the Commission's budget set out in Section 59(2) of the Act, is the amount that the Commissioner understands to be payable to the Commission by BC Ferries for fiscal 2004/5.

Fig. 1: Expenditure Budget
Fiscal 2004/5

	$'000
Regulation of Ferry Fares	$ 15
Regulation of Ferry Service Levels	$ 11
Special Decisions	$ 90
Enforcement	$ 3
Publication and Outreach	$ 18
Administration and Reporting	$ 69
Contingency 30%	$ 62
Total Expenditure	**$ 267**

The first two budget categories (regulation of fares and service levels) are central to the Commission's mandate, but are expected to see relatively light activity in this budget period, seeing more intense activity in 2006. In contrast, the third category (special decisions) should see significant effort before March 2005 in light of BC Ferries' intention to deploy capital in ships in the current decade, notably for northern routes. The fourth (enforcement), in expectation of compliance by the company, receives only a small allocation of budget.

The Service Plan projects a need for 75 days of work by the Commissioner in fiscal 2004/5, equivalent to one-third of a full time position.

Budget and Surplus for Current Part-year of 2003/4

In the current fiscal year, 2003/4, the total estimated revenue from BC Ferries under prescribed fixed start-up funding levels is $237,000. With expenditure for the current year projected at $147,000, the Commission expects a cash surplus of $88,000 or 37% of current year revenues. Unless there are unexpected legal obstacles, the Commission proposes to refund the actual surplus to BC Ferries after year end.

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2 About the Commission

Policy Principles for the BC Ferry Commission
Coastal Ferry Act, s 38
—

(a) priority is to be placed on the financial sustainability of the ferry operators;
(b) ferry operators are to be encouraged to adopt a commercial approach to ferry service delivery;
(c) ferry operators are to be encouraged to seek additional or alternative service providers on designated ferry routes through fair and open competitive processes;
(d) ferry operators are to be encouraged to minimize expenses without adversely affecting their safe compliance with core ferry services;
(e) cross subsidization from major routes to other designated ferry routes is (i) to be eliminated within the first performance term of the first Coastal Ferry Services Contract to be entered into under this Act, and (ii) before its elimination, to be minimized;
(f) the designated ferry routes are to move towards a greater reliance on a user pay system so as to reduce, over time, the service fee contributions by the government.

The **BC Ferry Commission** is a newly created regulatory agency operating under the Coast Ferry Act of the Province of British Columbia. While discharging its responsibilities, the Commission is required to bear in mind a set of six policy principles (see box, left).

The "core" ferry services to be regulated by the Commission carry people and vehicles over a designated set of 25 saltwater routes. All are currently served by BC Ferry Services Inc ("BC Ferries") as the ferry operator.

BC Ferries was created in April 2003 from the former BC Ferry Corporation, which was a taxpayer-supported crown corporation. It is now a self-financing company with a mandate to widen travel choices for users and improve service quality.

Under a long-term contract with the Province, BC Ferries must operate its system to comply with defined minimum "core" service levels on each of the 25 routes. On three of them, called "major" routes and regarded as financially self-sufficient, it receives no subsidy. On the other 22, the government pays BC Ferries a "ferry transportation fee" per-round trip sailing for a total maximum fee of $91.9 million.

BC Ferries currently holds a virtual monopoly position in most of the transportation markets it serves. Given the lack of effective competition, a major role of the Commission is to set a ceiling or "price cap" on the average level of fares which BC Ferries can charge. The goal in setting the price cap is to balance consumer protection with financial sustainability of the ferry operator, while encouraging efficiency.

The routes are divided into seven geographic groups. Each group is to have its own price cap, which is a weighted average of the individual fares within the group. The level is re-set after every fourth year. Each four year[1] period is termed a "performance period".

Another feature of the Commission's job is to monitor the adherence of BC Ferries to the terms of its contract. It is worth noting that the Commission serves as neither ombudsman nor complaints bureau. Further, it is not responsible for regulating safety or environmental aspects of ferry operations.

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[1] Except for the first performance period, which is five years long, ending on March 31, 2008.

3 Activity Overview

Activities of the Commission

1. **Regulation of Ferry Fares**
   Determining in detail how to calculate weighted average fares and price caps, making adjustments, and ensuring that actual fares are below the caps.

2. **Regulation of Service Levels**
   Checking BC Ferries delivers its contracted round-trips, and handling any applications for service cuts or abandonment of routes.

3. **Special Decisions**
   Determining if certain capital spending is reasonable; deregulating routes where competition is sufficient.

4. **Enforcement**
   Monitoring BC Ferries public reporting, conducting inspections of records and making corrective orders if necessary.

5. **Publication and Outreach**
   Maintaining own records, publishing decisions, and communicating with the public.

6. **Administration and Reporting**
   Running an office, obtaining support services, research, budgeting and reporting to Cabinet.

The Commission's planned activities fall under six headings shown in the box, left.

The central, ongoing activities fall under headings 1 and 2: the **regulation of fares** through the price cap mechanism, and the **monitoring of service levels**.

Some types of activity (e.g. dealing with applications to cease serving a route altogether) cannot legally occur before the end of fiscal 2004/5 and show no planned activity or related expenditure. Others (e.g. start-up activities to mobilize the new Commission) are particularly busy areas.

Some activities have predictable times (e.g. annual reports). Others respond to applications initiated by BC Ferries for changes in regulated price caps or service levels. These require the Commission to stand ready; the Act generally provides deadlines for the Commission to respond.

There is **uncertainty** in the projected levels of activity, partly because the Commission has no history. For instance, how many members of the public approach the commission, and how much the public will initiate queries requiring response, is difficult to predict. Similarly, the degree of complexity in certain special decisions (e.g. determining whether the deployment of a major capital item such as a new vessel is "reasonably required") has yet to unfold.

Such uncertainty is addressed through a 30% contingency allowance in the Commission's budget for fiscal 2004/5.

Using these same six headings seen in the box on the left, overleaf is a timetable of planned activities in the ten year period 2003 through 2012. Activities are also keyed to relevant sections numbers of the Act.

Ten Year Activity Timetable

Coastal Ferry Act Section	Activity Number	Activity Description ("BCF" means BC Ferries or other ferry operator)	Q	2003				2004				2005				2006				2007				2008				2009				2010				2011				2012		
		Calendar Year -->		2003				2004				2005				2006				2007				2008				2009				2010				2011				2012		
		Financial Year -->		2003/4				2004/5				2005/6				2006/7				2007/8				2008/9				2009/10				2010/11				2011/12						
				1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3
				First Performance Term																				Second Performance Term																Third		
	1.0	**Regulation of Ferry Fares**																																								
39	1.1	Determine how weighted average price is calculated																																								
38,65	1.2	Review BCF quarterly reports on price level																																								
42	1.3	Handle any BCF applications for extraordinary price increases																																								
45	1.4	Adjust price cap for any service cuts/abandonments																																								
40,41	1.5	Conduct price cap review for next performance term																																								
	2.0	**Regulation of Ferry Service Levels**																																								
38, 65	2.1	Review BCF quarterly reports on service level																																								
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46	4.2	Inspect BCF records as required																																								
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	5.0	**Publication and Outreach**																																								
52	5.1	Maintain Commission records, provide public access																																								
52	5.2	Publish decisions/determinations/orders/proceedings																																								
NA	5.3	Communicate with public and stakeholders																																								
	6.0	**Administration and Reporting**																																								
36	6.1	Operate office and engage external support services																																								
NA	6.2	Research background to ferry operating environment																																								
59	6.3	Prepare Commission's annual budget																																								
53	6.4	Report annually to Provincial Cabinet																																								

*Refers to Clause 4.04 of the Coastal Ferry Services Contract between BC Ferries and the Province of BC. This permits discontinuance applications only at certain times, as shown.

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Coastal Ferry Act Section	Activity Number	Activity Description ("BCF" means BC Ferries or other ferry operator)	Q
		Calendar Year -->	
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	1.0	**Regulation of Ferry Fares**	
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38,65	1.2	Review BCF quarterly reports on price level	
42	1.3	Handle any BCF applications for extraordinary price increases	
45	1.4	Adjust price cap for any service cuts/abandonments	
40,41	1.5	Conduct price cap review for next performance term	
	2.0	**Regulation of Ferry Service Levels**	
38, 65	2.1	Review BCF quarterly reports on service level	
38,66	2.2	Review BCF annual reports on service level	
43	2.3	Handle any BCF applications for service cuts	
44, 4.04*	2.4	Handle any BCF applications for route discontinuance, possibly hold hearing	
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55	3.1	On BCF request, decide if a proposed capital deployment is reasonable	
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52	5.1	Maintain Commission records, provide public access	
52	5.2	Publish decisions/determinations/orders/proceedings	
NA	5.3	Communicate with public and stakeholders	
	6.0	**Administration and Reporting**	
36	6.1	Operate office and engage external support services	
NA	6.2	Research background to ferry operating environment	
59	6.3	Prepare Commission's annual budget	
53	6.4	Report annually to Provincial Cabinet	

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
2003/4	2004/5	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	
1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3
First Performance Term					Second Performance Term				Third

*Refers to Clause 4.04 of the Coastal Ferry Services Contract between BC Ferries and the Province of BC. This permits discontinuance applications only at certain times, as shown.

4 Detailed Description of Activities through March 31, 2005

This section takes the list of the Commission activities and offers a more detailed description. It gives the expected level of activity in the medium-term future (i.e. through March 31, 2005).

This is the basis for budgetting the Commission's costs in the following Section 5, which develops expenditure budgets first for the current start-up part year of 2003/4, and also for the first full fiscal year 2004/5.

Activity number	Coastal Ferry Act Section	Activity Description	Level and Timing of Activity Anticipated In Fiscal 2003/4 and 2004/5
1.0	**Regulation of Ferry Fares**		
1.1	39	Determine how weighted average price is calculated	
		The Commission will provide guidelines for BC Ferries to build an Average Price Model which computes the average price within each of seven route groups. The model will draw upon BC Ferries traffic and sales data plus a set of explicit assumptions to calculate the average price at April 1, 2003, defined as the price cap for the first performance term. The operation of the model will be externally validated.	This work is expected to be complete by the end of Quarter 3 of FY 2003/4 (December 31, 2003)
1.2	38,65	Review BCF quarterly reports on price level	
		The Commission will specify contents required in BC Ferries quarterly reports respecting fare levels for each route group. The Commission will determine if the weighted average of the tariffs charged for each route group, as measured using the above Average Price Model are within the price cap established, and if not make appropriate orders.	One review per quarter
1.3	42	Handle any BCF applications for extraordinary price increases	
		The Commission will review and consider applications by the ferry operator for extraordinary tariff/price cap increases, for example due to extraordinary increases in the price of fuel.	One extraordinary price increase determination is anticipated in FY 2004/5

1.4	45	**Adjust price cap for any service cuts/route discontinuances**	
		The Commission will review service reductions or discontinuance of routes for impact on price cap and make appropriate adjustments in price cap.	No service cuts are expected within the two years of this service plan, so no adjustments in the price cap for this reason are expected. Note that no activity on route discontinuance is allowed before October 2006 under the Coastal Ferry Services Contract between BC Ferries and the Province of BC.
1.5	40,41	Conduct price cap review for next performance term	
		The Commission will initiate on or before October 1 2006 a price cap review for second performance term	This is expected to be a substantial effort when it occurs, but it lies beyond the current budget period
2.0	**Regulation of Ferry Service Levels**		
2.1	38,65	Review BCF quarterly reports on service level	
		The Commission will specify the format of, and review quarterly reports of BC Ferries as the ferry operator to determine if it is meeting the contract service requirements	One review per quarter
2.2	38,66	Review BCF annual reports on service level	
		The Commission will specify the format of, and review annual reports of BC Ferries as the ferry operator to determine if it is meeting the contract service requirements	One review of FY 2003/4 report in June 2004
2.3	43	Handle any BCF applications for service cuts	
		Review and consider any applications by the ferry operator for reductions in service (temporary reductions would occur immediately)	None are expected before April 2005
2.4	44	Handle any BCF applications for route discontinuance, possibly hold hearing	
		Review and consider any applications by the ferry operator to discontinue a route. After October 2006, route discontinuance applications may be made (the determination process takes 9 months).	No activity in the period of this service plan: route discontinuance is not allowed before October 2006.
3.0	**Special Decisions**		
3.1	55	On BCF request, decide if a proposed capital deployment is reasonable	
		If a ferry operator makes an application, the Commissioner will consider a proposed capital deployment or capital expenditures in connection with a route or terminal to determine if they are reasonably required. Consultants of various specialties will be engaged to undertake a "process audit" of the BC Ferries analysis.	Three determinations may be required by April 2005

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1.2	38,65	Review BCF quarterly reports on price level	
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1.3	42	Handle any BCF applications for extraordinary price increases	
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2.3	43	Handle any BCF applications for service cuts	
		Review and consider any applications by the ferry operator for reductions in service (temporary reductions would occur immediately).	None are expected before April 2005.
2.4	44	Handle any BCF applications for route discontinuance, possibly hold hearing	
		Review and consider any applications by the ferry operator to discontinue a route. After October 2006, route discontinuance applications may be made (the determination process takes 9 months).	No activity in the period of this service plan; route discontinuance is not allowed before October 2006.
3.0	**Special Decisions**		
3.1	55	On BCF request, decide if a proposed capital deployment is reasonable	
		If a ferry operator makes an application, the Commissioner will consider a proposed capital deployment or capital expenditures in connection with a route or terminal to determine if they are reasonably required. Consultants of various specialties will be engaged to undertake a "process audit" of the BC Ferries analysis.	Three determinations may be required by April 2005.

3.2	38(4)	Deregulate a ferry route if competition sufficient	
		Make a determination of removing the route designation for a route upon which sufficient competition exists so that regulation of that route is no longer necessary	One investigation is anticipated in FY2004/5
4.0	**Enforcement**		
4.1	38(2)	Monitor BCF reporting to public	
		The Commissioner will observe how BC Ferries reports its own performance respecting pricing its fares under the price cap, and respecting its service level actually delivered versus the contracted service levels.	Quarterly observation by Commissioner, with observations to be included in annual report to the Cabinet (see 6.4 below)
4.2	46	Inspect BCF records as required	
		Order inspections of the records of the ferry operator as necessary	No activity expected to be necessary through FY 2004/5.
4.3	48	Issue orders to BCF re: non-compliance with the law as required	
		Issue orders for non-compliance with the legislation as necessary	No activity expected to be necessary
5.0	**Publication and Outreach**		
5.1	52	Maintain Commission records, provide public access	
		Files will be maintained accessible to the public under the Freedom of Information and Protection of Privacy Act. Response to public enquiries will be made via telephone, postal mail, e-mail.	The level of this activity is difficult to predict. It will depend on issues arising and the profile that the Commission receives in the public eye. An allowance of 5 days and 10 days of Commissioner time is allotted respectively in FY 2003/4 and 2004/5 .
5.2	52	Publish decisions/determinations/orders/proceedings	
		The Commissioner will publish every decision, determination and order in a manner that the Commissioner believes will bring it to the attention of the public. All such items will be published on the Commission's website, at a minimum	Three to five official publications expected. How published will depend on the Commissioner's judgment of the groups having most interest in the content.
5.3	NA	Communicate with public and stakeholders	
		The Commission will actively communicate the role and responsibilities of the Commission to the public; make appearances in the media; make presentations and speeches to stakeholder groups.	Commissioner attending one industry conference per year:Two media pieces per year written by Commissioner: One public speech/presentation per quarter by Commissioner

6.0	Administration and Reporting		
6.1	36	Operate office and engage external support services	
		Establish the office of the Commission. Make arrangements for telephone, mail and electronic access. Rent office space as required. Office operations (secretarial, phone, courier, post, internet, website) Office equipment dedicated to Commission use Obtain accounting, audit, archiving, and legal advice as required	Equip and mobilization will be substantially complete by October 2003. No rental costs expected before April 2005 (due to virtual office operation). Accounting and payment system expected to be provided by office of the Attorney General at modest or no charge to the Commission.
6.2	NA	Research background to ferry operating environment	
		This activity is Commissioner's ferry system familiarization and background study. The Commissioner intends to travel all ferry routes in person. Research and Investigations initiated by Commission	This activity will be largely study of relevant reports and articles. The Commissioner will ensure familiarity with all ferry routes. Four days of Commissioner time is allotted for this activity in each of FY2003/4 and FY2004/5 One special research investigation by consultants is budgetted for FY2003/4 and two for 2004/5.
6.3	69	Prepare Commission's annual budget	
		Budget will include expenditures reasonably expected to be incurred in the following year, supported by a Service Plan for the year.	Preparation time for the annual Service Plan and Budget will be needed in quarter 2 of each fiscal year. Five days allotted for the first Service Plan and Budget, two for subsequent ones.
6.4	53	Report annually to Provincial Cabinet	
		Within 4 months after the end of each fiscal year, the Commissioner will make a report to the Cabinet for the preceding fiscal year, setting out briefly (a) all applications and requests for decisions to the commissioner under the Act, (b) all orders issued by the commissioner, (c) the financial statements applicable to the office of the commissioner for that year along with full disclosure of the expenses of, and associated with, the office of the commissioner, and (d) other information the Cabinet directs.	One report annually within 4 months of the end of the fiscal year, starting June 2004

3.2	38(4)	Deregulate a ferry route if competition sufficient	
		Make a determination of removing the route designation for a route upon which sufficient competition exists so that regulation of that route is no longer necessary	One investigation is anticipated in FY2004/5
4.0	**Enforcement**		
4.1	38(2)	Monitor BCF reporting to public	
		The Commissioner will observe how BC Ferries reports its own performance respecting pricing its fares under the price cap, and respecting its service level actually delivered versus the contracted service levels.	Quarterly observation by Commissioner, with observations to be included in annual report to the Cabinet (see 6.4 below)
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		The Commission will actively communicate the role and responsibilities of the Commission to the public; make appearances in the media; make presentations and speeches to stakeholder groups	Commissioner attending one industry conference per year. Two media pieces per year written by Commissioner. One public speech/presentation per quarter by Commissioner

6.0		**Administration and Reporting**	
6.1	36	Operate office and engage external support services	
		Establish the office of the Commission. Make arrangements for telephone, mail and electronic access. Rent office space as required. Office operations (secretarial, phone, courier, post, internet, website) Office equipment dedicated to Commission use Obtain accounting, audit, archiving, and legal advice as required	Equip and mobilization will be substantially complete by October 2003. No rental costs expected before April 2005 (due to virtual office operation). Accounting and payment system expected to be provided by office of the Attorney General at modest or no charge to the Commission.
6.2	NA	Research background to ferry operating environment	
		This activity is Commissioner's ferry system familiarization and background study. The Commissioner intends to travel all ferry routes in person. Research and Investigations initiated by Commission	This activity will be largely study of relevant reports and articles. The Commissioner will ensure familiarity with all ferry routes. Four days of Commissioner time is allotted for this activity in each of FY2003/4 and FY2004/5. One special research investigation by consultants is budgetted for FY2003/4 and two for 2004/5.
6.3	69	Prepare Commission's annual budget	
		Budget will include expenditures reasonably expected to be incurred in the following year, supported by a Service Plan for the year.	Preparation time for the annual Service Plan and Budget will be needed in quarter 2 of each fiscal year. Five days allotted for the first Service Plan and Budget, two for subsequent ones.
6.4	53	Report annually to Provincial Cabinet	
		Within 4 months after the end of each fiscal year, the Commissioner will make a report to the Cabinet for the preceding fiscal year, setting out briefly (a) all applications and requests for decisions to the commissioner under the Act, (b) all orders issued by the commissioner, (c) the financial statements applicable to the office of the commissioner for that year along with full disclosure of the expenses of, and associated with, the office of the commissioner, and (d) other information the Cabinet directs.	One report annually within 4 months of the end of the fiscal year, starting June 2004

5 Expenditure Budgets for Fiscal 2003/4 (part year) and 2004/5

The following two pages provide detailed expenditure budgets for the part (start-up) year fiscal 2003/4 and for the first full fiscal year, 2004/5.

For each activity, estimates are made for the fees of the Commissioner(s), staff and consultants, travel and other expenses (e.g. equipment, support services and supplies)

Expenditure Projection for FY2003/4

Coastal Ferry Act Section	Activity Number	Cost Code	Activity and Expected Level	FY2003/4 (part year starting Aug 11 2003)								TOTAL
				Commissioner(s)		Consultants	Expenses					
				Days	Fee*		Fees	Travel		Other		
	1.0		**Regulation of Ferry Fares**									
39	1.1		Determine how weighted average price is calculated									
		111	Guide BC Ferries' building of Average Price Model	10	$ 6,750	$ -	$	250	$	-	$	7,000
		112	Validate Average Price Model	5	$ 3,375	$ 20,000	$	5,000	$	-	$	28,375
38,65	1.2		Review BCF quarterly reports on price level									
		121	One review per quarter	8	$ 5,400	$ -	$	-	$	-	$	5,400
42	1.3		Handle any BCF applications for extraordinary price increases									
		131	Allowance for one extraordinary price increase	0	$ -	$ -	$	-	$	-	$	-
45	1.4		Adjust price cap for any service cuts/abandonments									
		141	None are expected before April 2005	0	$ -	$ -	$	-	$	-	$	-
40,41	1.5		Conduct price cap review for next performance term									
		151	No activity until October 2006	0	$ -	$ -	$	-	$	-	$	-
			SUBTOTAL - REGULATION OF FERRY FARES	23	$ 15,525	$ 20,000	$	5,250	$	-	$	40,775
	2.0		**Regulation of Ferry Service Levels**									
38, 65	2.1		Review BCF quarterly reports on service level									
		211	One review per quarter	4	$ 2,700	$ -	$	-	$	-	$	2,700
38,66	2.2		Review BCF annual reports on service level									
		221	One review of FY 2003/4 report in June 2004	0	$ -	$ -	$	-	$	-	$	-
43	2.3		Handle any BCF applications for service cuts									
		231	None are expected before April 2005	0	$ -	$ -	$	-	$	-	$	-
44	2.4		Handle any BCF applications for route discontinuance, possibly hold hearing									
		241	None are expected before April 2005	0	$ -	$ -	$	-	$	-	$	-
			SUBTOTAL - REGULATION OF FERRY SERVICES	4	$ 2,700	$ -	$	-	$	-	$	2,700
	3.0		**Special Decisions**									
	3.1		On BCF request, decide if a proposed capital deployment is reasonable									
		311	Three determinations expected required by April 2005	10	$ 6,750	$ 30,000	$	5,000	$	-	$	41,750
	3.2		Deregulate a ferry route if competition sufficient									
		321	One investigation in FY2004/5	0	$ -	$ -	$	-	$	-	$	-
			SUBTOTAL - SPECIAL DECISIONS	10	$ 6,750	$ 30,000	$	5,000	$	-	$	41,750
	4.0		**Enforcement**									
38(2)	4.1		Monitor BCF reporting to public									
		441	Quarterly observation by Commissioner	4	$ 2,700	$ -	$	-	$	-	$	2,700
46	4.2		Inspect BCF records as required									
		421	No activity expected to be necessary	0	$ -	$ -	$	-	$	-	$	-
48	4.3		Issue orders to BCF re: non-compliance with the law as required									
		431	No activity expected to be necessary	0	$ -	$ -	$	-	$	-	$	-
			SUBTOTAL - ENFORCEMENT	4	$ 2,700	$ -	$	-	$	-	$	2,700
	5.0		**Publication and Outreach**									
52	5.1		Maintain Commission records, provide public access									
		511	Ongoing overhead including response to public enquiries	5	$ 3,375	$ -	$	-	$	-	$	3,375
52	5.2		Publish decisions/determinations/orders/proceedings									
		521	Three to five official publications expected	2	$ 1,350	$ -	$	-	$	-	$	1,350
NA	5.3		Communicate with public and stakeholders									
		531	Commissioner to one industry conference per year	2	$ 1,350	$ -	$	1,000	$	1,000	$	3,350
		532	Two media pieces per year written by Commissioner	2	$ 1,350	$ -	$	-	$	-	$	1,350
		533	One public presentation per quarter by Commissioner	3	$ 2,025	$ -	$	750	$	-	$	2,775
			SUBTOTAL - PUBLICATION AND OUTREACH	14	$ 9,450	$ -	$	1,750	$	1,000	$	12,200
	6.0		**Administration and Reporting**									
36	6.1		Operate office and engage external support services									
		611	Office set up: equip and mobilize	3	$ 2,025	$ -	$	-	$	-	$	2,025
		612	Rent: none expected before April 2005 (virtual office)	0	$ -	$ -	$	-	$	-	$	-
		613	Office ops (secretarial, phone, courier, post, internet, website)	3	$ 2,025	$ 2,000	$	-	$	1,000	$	5,025
		614	Office equipment dedicated to Commission use	0	$ -	$ -	$	-	$	5,000	$	5,000
		615	Accounting, audit, archiving, and legal advice as required	2	$ 1,350	$ 15,000	$	1,000	$	-	$	17,350
NA	6.2		Research background to ferry operating environment									
		621	Commissioner's system familiarization and background study	4	$ 2,700	$ -	$	1,000	$	-	$	3,700
		622	Research and Investigations initiated by Commission	0	$ -	$ 10,000	$	2,000	$	-	$	12,000
59	6.3		Prepare Commission's annual budget									
		631	Preparation time	5	$ 3,375	$ -	$	-	$	-	$	3,375
53	6.4		Report annually to Provincial Cabinet									
		641	One report annually starting June 2004	0	$ -	$ -	$	-	$	-	$	-
			SUBTOTAL - ADMINISTRATION AND REPORTING	17	$ 11,475	$ 27,000	$	4,000	$	6,000	$	48,475
			CONTINGENCY: nil - see Note 3, Table 4									
			GRAND TOTAL - ALL ACTIVITIES	72	$ 48,600	$ 77,000	$	16,000	$	7,000	$	148,600

*Commissioner's daily fee is set by Order In Council at $ 675

Expenditure Projection for FY2004/5

Coastal Ferry Act Section	Activity Number	Cost Code	Activity and Expected Level	FY2004/5 Commissioner(s) Days	Commissioner(s) Cost	Consultants Fees	Expenses Travel	Expenses Other	TOTAL
	1.0		**Regulation of Ferry Fares**						
39	1.1		Determine how weighted average price is calculated						
		111	Guide BC Ferries' building of Average Price Model	0	$ -	$ -	$ -	$ -	$ -
		112	Validate Average Price Model	0	$ -	$ -	$ -	$ -	$ -
38,65	1.2		Review BCF quarterly reports on price level						
		121	One review per quarter	8	$ 5,400	$ -	$ -	$ -	$ 5,400
42	1.3		Handle any BCF applications for extraordinary price increases						
		131	Allowance for one extraordinary price increase	5	$ 3,375	$ 5,000	$ 1,000	$ -	$ 9,375
45	1.4		Adjust price cap for any service cuts/abandonments						
		141	None are expected before April 2005	0	$ -	$ -	$ -	$ -	$ -
40,41	1.5		Conduct price cap review for next performance term						
		151	No activity until October 2006	0	$ -	$ -	$ -	$ -	$ -
			SUBTOTAL - REGULATION OF FERRY FARES	13	$ 8,775	$ 5,000	$ 1,000	$ -	$ 14,775
	2.0		**Regulation of Ferry Service Levels**						
38, 65	2.1		Review BCF quarterly reports on service level						
		211	One review per quarter	4	$ 2,700	$ -	$ -	$ -	$ 2,700
38,66	2.2		Review BCF annual reports on service level						
		221	One review of FY 2003/4 report in June 2004	3	$ 2,025	$ 5,000	$ 1,000	$ -	$ 8,025
43	2.3		Handle any BCF applications for service cuts						
		231	None are expected before April 2005	0	$ -	$ -	$ -	$ -	$ -
44	2.4		Handle any BCF applications for route discontinuance, possibly hold hearing						
		241	None are expected before April 2005	0	$ -	$ -	$ -	$ -	$ -
			SUBTOTAL - REGULATION OF FERRY SERVICES	7	$ 4,725	$ 5,000	$ 1,000	$ -	$ 10,725
	3.0		**Special Decisions**						
	3.1		On BCF request, decide if a proposed capital deployment is reasonable						
		311	Three determinations expected required by April 2005	10	$ 6,750	$ 60,000	$ 10,000	$ -	$ 76,750
	3.2		Deregulate a ferry route if competition sufficient						
		321	One investigation in FY2004/5	2	$ 1,350	$ 10,000	$ 2,000	$ -	$ 13,350
			SUBTOTAL - SPECIAL DECISIONS	12	$ 8,100	$ 70,000	$ 12,000	$ -	$ 90,100
	4.0		**Enforcement**						
38(2)	4.1		Monitor BCF reporting to public						
		441	Quarterly observation by Commissioner	4	$ 2,700	$ -	$ -	$ -	$ 2,700
46	4.2		Inspect BCF records as required						
		421	No activity expected to be necessary	0	$ -	$ -	$ -	$ -	$ -
48	4.3		Issue orders to BCF re: non-compliance with the law as required						
		431	No activity expected to be necessary	0	$ -	$ -	$ -	$ -	$ -
			SUBTOTAL - ENFORCEMENT	4	$ 2,700	$ -	$ -	$ -	$ 2,700
	5.0		**Publication and Outreach**						
52	5.1		Maintain Commission records, provide public access						
		511	Ongoing overhead including response to public enquiries	10	$ 6,750	$ -	$ -	$ -	$ 6,750
52	5.2		Publish decisions/determinations/orders/proceedings						
		521	Three to five official publications expected	4	$ 2,700	$ -	$ -	$ -	$ 2,700
NA	5.3		Communicate with public and stakeholders						
		531	Commissioner attending one industry conference per year	2	$ 1,350	$ -	$ 1,000	$ 1,000	$ 3,350
		532	Two media pieces per year written by Commissioner	2	$ 1,350	$ -	$ -	$ -	$ 1,350
		533	One public speech/presentation per quarter by Commissioner	4	$ 2,700	$ -	$ 1,000	$ -	$ 3,700
			SUBTOTAL - PUBLICATION AND OUTREACH	22	$ 14,850	$ -	$ 2,000	$ 1,000	$ 17,850
	6.0		**Administration and Reporting**						
36	6.1		Operate office and engage external support services						
		611	Office set up: equip and mobilize	0	$ -	$ -	$ -	$ -	$ -
		612	Rent: none expected before April 2005 (virtual office)	0	$ -	$ -	$ -	$ -	$ -
		613	Office ops (secretarial, phone, courier, post, internet, website)	2	$ 1,350	$ 2,000	$ -	$ 1,000	$ 4,350
		614	Office equipment dedicated to Commission use	0	$ -	$ -		$ 5,000	$ 5,000
		615	Accounting, audit, archiving, and legal advice as required	2	$ 1,350	$ 25,000	$ -	$ -	$ 26,350
NA	6.2		Research background to ferry operating environment						
		621	Commissioner's system familiarization and background study	4	$ 2,700	$ -	$ 1,000	$ -	$ 3,700
		622	Research and Investigations initiated by Commission	0	$ -	$ 20,000	$ 4,000	$ -	$ 24,000
59	6.3		Prepare Commission's annual budget						
		631	Preparation time	2	$ 1,350	$ -	$ -	$ -	$ 1,350
53	6.4		Report annually to Provincial Cabinet						
		641	One report annually starting June 2004	7	$ 4,725	$ -	$ -	$ -	$ 4,725
			SUBTOTAL - ADMINISTRATION AND REPORTING	17	$ 11,475	$ 47,000	$ 5,000	$ 6,000	$ 69,475
			GRAND TOTAL - ALL ACTIVITIES	75	$ 50,625	$ 127,000	$ 21,000	$ 7,000	$ 205,625
			CONTINGENCY 30%						$ 61,688
			Total Including Contingency						**$ 267,313**

Expenditure Projection for FY2004/5

Coastal Ferry Act Section	Activity Number	Cost Code	Activity and Expected Level	FY2004/5 Commissioner(s) Days	Commissioner(s) Cost	Consultants Fees	Expenses Travel	Expenses Other	TOTAL
	1.0		**Regulation of Ferry Fares**						
39	1.1		Determine how weighted average price is calculated						
		111	Guide BC Ferries' building of Average Price Model	0	$ -	$ -	$ -	$ -	$ -
		112	Validate Average Price Model	0	$ -	$ -	$ -	$ -	$ -
38,65	1.2		Review BCF quarterly reports on price level						
		121	One review per quarter	8	$ 5,400	$ -	$ -	$ -	$ 5,400
42	1.3		Handle any BCF applications for extraordinary price increases						
		131	Allowance for one extraordinary price increase	5	$ 3,375	$ 5,000	$ 1,000	$ -	$ 9,375
45	1.4		Adjust price cap for any service cuts/abandonments						
		141	None are expected before April 2005	0	$ -	$ -	$ -	$ -	$ -
40,41	1.5		Conduct price cap review for next performance term						
		151	No activity until October 2006	0	$ -	$ -	$ -	$ -	$ -
			SUBTOTAL - REGULATION OF FERRY FARES	13	$ 8,775	$ 5,000	$ 1,000	$ -	$ 14,775
	2.0		**Regulation of Ferry Service Levels**						
38, 65	2.1		Review BCF quarterly reports on service level						
		211	One review per quarter	4	$ 2,700	$ -	$ -	$ -	$ 2,700
38,66	2.2		Review BCF annual reports on service level						
		221	One review of FY 2003/4 report in June 2004	3	$ 2,025	$ 5,000	$ 1,000	$ -	$ 8,025
43	2.3		Handle any BCF applications for service cuts						
		231	None are expected before April 2005	0	$ -	$ -	$ -	$ -	$ -
44	2.4		Handle any BCF applications for route discontinuance, possibly hold hearing						
		241	None are expected before April 2005	0	$ -	$ -	$ -	$ -	$ -
			SUBTOTAL - REGULATION OF FERRY SERVICES	7	$ 4,725	$ 5,000	$ 1,000	$ -	$ 10,725
	3.0		**Special Decisions**						
	3.1		On BCF request, decide if a proposed capital deployment is reasonable						
		311	Three determinations expected required by April 2005	10	$ 6,750	$ 60,000	$ 10,000	$ -	$ 76,750
	3.2		Deregulate a ferry route if competition sufficient						
		321	One investigation in FY2004/5	2	$ 1,350	$ 10,000	$ 2,000	$ -	$ 13,350
			SUBTOTAL - SPECIAL DECISIONS	12	$ 8,100	$ 70,000	$ 12,000	$ -	$ 90,100
	4.0		**Enforcement**						
38(2)	4.1		Monitor BCF reporting to public						
		441	Quarterly observation by Commissioner	4	$ 2,700	$ -	$ -	$ -	$ 2,700
46	4.2		Inspect BCF records as required						
		421	No activity expected to be necessary	0	$ -	$ -	$ -	$ -	$ -
48	4.3		Issue orders to BCF re: non-compliance with the law as required						
		431	No activity expected to be necessary	0	$ -	$ -	$ -	$ -	$ -
			SUBTOTAL - ENFORCEMENT	4	$ 2,700	$ -	$ -	$ -	$ 2,700
	5.0		**Publication and Outreach**						
52	5.1		Maintain Commission records, provide public access						
		511	Ongoing overhead including response to public enquiries	10	$ 6,750	$ -	$ -	$ -	$ 6,750
52	5.2		Publish decisions/determinations/orders/proceedings						
		521	Three to five official publications expected	4	$ 2,700	$ -	$ -	$ -	$ 2,700
NA	5.3		Communicate with public and stakeholders						
		531	Commissioner attending one industry conference per year	2	$ 1,350	$ -	$ 1,000	$ 1,000	$ 3,350
		532	Two media pieces per year written by Commissioner	2	$ 1,350	$ -	$ -	$ -	$ 1,350
		533	One public speech/presentation per quarter by Commissioner	4	$ 2,700	$ -	$ 1,000	$ -	$ 3,700
			SUBTOTAL - PUBLICATION AND OUTREACH	22	$ 14,850	$ -	$ 2,000	$ 1,000	$ 17,850
	6.0		**Administration and Reporting**						
36	6.1		Operate office and engage external support services						
		611	Office set up: equip and mobilize	0	$ -	$ -	$ -	$ -	$ -
		612	Rent: none expected before April 2005 (virtual office)	0	$ -	$ -	$ -	$ -	$ -
		613	Office ops (secretarial, phone, courier, post, internet, website)	2	$ 1,350	$ 2,000	$ -	$ 1,000	$ 4,350
		614	Office equipment dedicated to Commission use	0	$ -	$ -		$ 5,000	$ 5,000
		615	Accounting, audit, archiving, and legal advice as required	2	$ 1,350	$ 25,000	$ -	$ -	$ 26,350
NA	6.2		Research background to ferry operating environment						
		621	Commissioner's system familiarization and background study	4	$ 2,700	$ -	$ 1,000	$ -	$ 3,700
		622	Research and Investigations initiated by Commission	0	$ -	$ 20,000	$ 4,000	$ -	$ 24,000
59	6.3		Prepare Commission's annual budget						
		631	Preparation time	2	$ 1,350	$ -	$ -	$ -	$ 1,350
53	6.4		Report annually to Provincial Cabinet						
		641	One report annually starting June 2004	7	$ 4,725	$ -	$ -	$ -	$ 4,725
			SUBTOTAL - ADMINISTRATION AND REPORTING	17	$ 11,475	$ 47,000	$ 5,000	$ 6,000	$ 69,475
			GRAND TOTAL - ALL ACTIVITIES	75	$ 50,625	$ 127,000	$ 21,000	$ 7,000	$ 205,625
			CONTINGENCY 30%						$ 61,688
			Total Including Contingency						**$ 267,313**

6 Two Year Revenue and Expenditure Budget

Figure 2 below is a cash budget for revenue and expenditure for the current part year 2004/5 and first full fiscal year 2004/2005.

Fig. 2: Two-Year Revenue and Expenditure Budget

	Item	FY2003/4 *note 3*	FY2004/5
note 1	**Revenue**		
	BC Ferries [Coastal Ferry Act s. 58(1)]	$ 236,817	$ 267,313
	Expenditures		
	Expense Budget from Section 3	$ 148,600	$ 267,313
note 2	**Excess of Revenue Over Expenditure**	$ 88,217	$ -

note 1 **For FY 2003/4**, the first year of Commissioner's appointment, as required in the Coastal Ferry Act s.58(1), revenue equals 1/40 of 1% of BC Ferries tariff revenue per quarter, for three quarters.

For FY2004/5, second year of Commissioner's appointment, as required in the Coastal Ferry Act s.60, this equals the Commission's expense budget total from Section 5 of this document.

note 2 The Commission proposes to refund BC Ferries with the excess of revenue over expenses for FY2003/4

note 3 Part year starting Aug 11 2003